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SUBJECT: DREAMS OF DISNEYLAND ON TURKEY'S MEDITERRANEAN COAST

1. (SBU) Summary. Turkey,s tourism numbers continue to sky-rocket, with the first quarter forecast showing that 2005 will more than likely be a record-breaking year for the Turkish tourism industry. So far this year, 3.8 million tourists have visited Turkey*a 27 percent increase from the same period in 2004. Antalya is the destination of choice for the majority of tourists and there is still unexploited tourism potential in the region, which also supports agriculture and construction industries. Yet the sector continues to see a lack of interest from foreign investors. Tourism entrepreneurs hope the government can do more in the future to build a positive country image of Turkey and attract greater foreign investment to support the sector. End Summary.

2005: Record-Setting Year

2. (U) The Ministry of Culture and Tourism expects the tourism industry to have a record-breaking year in 2005. Turkey has already welcomed approximately 3.8 million tourists in the first 4 months of 2005 and it has seen a 27 percent increase in the number of tourists visiting Turkey compared to the same period last year. Tourism revenues reached \$2 billion in the first quarter. By year,s end, Turkey expects to generate \$18 billion from tourism, with the bulk of the revenue coming from the peak tourist summer season. Last year,s revenues totaled close to \$16 billion*exceeding the GOT,s projected \$13 billion target for 2004.

Tourism in Turkey

3. (U) In 2004, approximately 32 percent of tourists visiting Turkey came from Germany and Russia. The rest came principally from Britain, Bulgaria, the Netherlands, Iran, Israel, France, Greece, Austria, Belgium, Azerbaijan, Italy, Ukraine, and the United States. For foreign tourists, the number one destination is Antalya*located on Turkey,s Mediterranean Coast. Out of the 17 million tourists who visited in 2004, 6.5 million visited Antalya. Other popular destinations include Istanbul, cities on the Aegean Coast, and Cappadoccia. Officials told econoffs that most of Turkey,s visitors enjoy &sun-sea-and-sand8 vacations, and the GOT is hoping to develop other forms of tourism along Turkey,s coastline including diving, yachting, hot springs, and golf. The GOT would also like to take advantage of Turkey,s cultural tourism potential, but so far there has been less interest from foreigners in historical tours of Turkey.

Investing in Turkish Tourism

4. (SBU) Econoffs met with officials at the Ministry of Culture and Tourism International Relations Department who help promote Turkish tourism abroad through advertisements, tourism fairs, and marketing campaigns. There are currently thirty-five Turkish tourism offices abroad in Europe and 3 in the United States. Though the GOT is putting forth increasing efforts to support Turkish tourism promotion, there is still surprisingly little foreign investment in the sector, especially in name chains.

5. (U) Turkish officials said that despite efforts to attract foreign investment in Turkey,s tourism industry, foreign interest and investment in the sector remains low. The GOT is trying to facilitate more foreign investment by offering land allocations with 49-year leases, granting tax reductions, and allowing companies to be established with one hundred percent foreign capital. (The GOT owns valuable seaside property and does not have the authority to sell state-owned land. Instead, it offers 49-year leases.) Officials said that it is not difficult to establish a company in the sector and the process can take as little as one day to complete. These incentives are part of the GOT's Tourism Incentives Law which was enacted in 1982.

16. (U) The Ministry of Culture and Tourism issued the "Public Land Allocation Announcement and Specification for Tourism Investors" in February 2004 as an effort to reach out to foreign tourism investors but there was negligible interest from foreigners. Nevertheless, there was good interest from local entrepreneurs. Generally, the most attractive pieces of land for investors are located on the Aegean or Mediterranean Coasts. However, the Ministry is also working to develop winter tourism in the eastern parts of Turkey along with cultural tourism. Given the rise in tourism in the past two decades and with Turkey holding the number eight spot on the list of the world's top ten tourism countries, the Ministry is bullish on Turkey's tourism future. When the 1982 law was enacted, there were only 30,000 beds certified by the Ministry. Today there are 600,000 beds. The GOT is allocating money to local administrations to invest in environmental restoration, transportation infrastructure, and water treatment to mitigate the effects of increasing tourism development.

Antalya*Tourism Central

17. (SBU) Antalya, home to one third of Turkey's hotels, is booming. In Antalya, Econoffs met with Ali Tulek, the district manager of the region's largest private bank, Garanti Bank. Garanti Bank has over \$2 billion credit in the tourism sector and is the bank of choice for tourism agencies and hotels in the region. According to Tulek, foreign tourists get a bargain for their money in Turkey despite the strength of the lira over the past two years. Europeans, in particular, find that they can vacation in Turkey for less money, but still get quality service and excellent accommodations. Most foreigners in Antalya stay at large resort-style hotels for about 10-11 days and spend an average of \$700 to \$750 per person. This limits the economic impact of the sector on the Antalya region since visitors may spend little money at local businesses outside their all-inclusive hotels. Tulek also said there could be a problem in the industry with Turkey entering the EU because of the potential increase in labor costs which could, in turn, bump up tourism prices in Turkey and make vacationing in the country less desirable for Europeans. Tulek also seemed to think that the potential for growth among Western European visitors may be tapped out. With Turkey's blossoming tourism relationship with Russia, Russians may well outnumber the European tourists visiting Turkey in the next 3 to 5 years. One owner of a resort hotel told Econoff that if he did not limit the share of Russian guests, he could easily fill his hotel entirely with Russian tourists.

18. (SBU) Despite the possible problems, the potential for growth in Antalya's tourism industry seems to be limitless according to the President of the Mediterranean Association of Touristic Hotels (AKTOB), Osman Ayik. The hidden potential goes well beyond the sun and sand tourism to historical/cultural tourism and eco-tourism*both of which have yet to be exploited in Antalya and in the rest of the country. In the meantime, sports and conference facilities, spa centers, and golf resorts are being built to try to attract a different clientele to the region. Labor is abundant because of Turkey's large and relatively young population. Though not always skilled, young workers receive adequate training to man the growing number of hotels. In 2004 alone, 30,000 beds were constructed in Antalya. Ayik's dream for Antalya is to bring a Disneyland-style resort to the region. He believes the climate in Southern Turkey is suitable and said that Russians have shown interest in the ambitious idea.

The Tourism/Agriculture Symbiotic Relationship

19. (U) Though tourism is the number one sector in Antalya*by a long shot*the region's agriculture sector is also doing well and literally feeds the tourism sector. The agriculture sector produces 4.5 million tons of agricultural products, exports \$200 million annually, and has had 28 percent growth in one year. The Garanti Bank district manager, Tulek, predicts a positive outlook especially for the production of high value fruits, vegetables, and flowers. (Antalya has the natural climate to produce such high-quality items.) According to the Chairman of the Antalya Chamber of Industry and Commerce, Mr. Kemal Ozgen, foreigners are also investing in the agriculture sector*contributing to sectoral growth. Currently, there are 14 U.S. companies working in Antalya in the textile, food industry, and chemicals sectors, and the city hopes for further cooperation with the U.S. in these sectors.

Comment

10. (SBU) Tourism is a crucial source of foreign exchange for Turkey with which to finance its large trade deficit. It is also a source of seasonal employment and strongly supports the agriculture and construction sectors, particularly in regions such as Antalya where growth in tourism is booming. However, the GOT maintains control of the sector and, in particular, prime real estate along the coasts of Turkey. It has yet to open up significant areas to investors and currently, land that is available can only be leased. Private sector entrepreneurs like Osman Ayik hope that the GOT can do more in the future to offer greater incentives for investors and allot more funds in the government,s budget to promote a more positive and safer country image for Turkey. Taking such measures can hopefully pave the way for greater foreign investment and help bring hoteliers like Ayik closer to dreams of Disneyland in Antalya. Nevertheless, tourism projections remain high and show no signs of slowing down. In the tourism sector Turkey seems to have retained its competitiveness despite the real appreciation of the lira.
End Comment.
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